



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

February 12, 2002

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler ~~McCauley~~
Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES – KING-DREW MEDICAL
CENTER COUNTY-WIDE TIMEKEEPING AND PAYROLL/PERSONNEL
SYSTEM FOLLOW-UP REVIEW**

We have completed a follow-up review of the Department of Health Services – King-Drew Medical Center's (KDMC) use of the County-wide Timekeeping and Payroll/Personnel System (CWTAPPS). Our initial audit, completed in July 1999, covered areas such as payroll processing, terminations, bonuses, time and attendance, overpayment processing, industrial accidents and data security. Our follow-up review was intended to assess KDMC's progress in implementing the 39 recommendations from our prior report.

Status of Recommendations

Overall, KDMC is taking action to implement the recommendations from our prior report and strengthened its payroll controls by fully implementing 27 of the recommendations. However, two recommendations are partially implemented and ten recommendations have not been implemented. KDMC management needs to increase its monitoring to ensure that all recommendations are fully implemented and remain implemented.

The status of the two partially implemented and ten not implemented recommendations is discussed below:

Recommendation #6

KDMC management ensure overpayment letters are prepared in a timely manner.

Current Status: NOT IMPLEMENTED

KDMC management does not prepare overpayment letters in a timely manner as required by CWPAY Manual Section 9.5.0. We found that 16 (89%) of the 18 overpayments appearing on the Auditor-Controller's October 2000 Listing of Outstanding Arrears Deductions were still outstanding as of March 2001. KDMC had only issued overpayment letters for three of the 16 remaining overpayments. KDMC management needs to ensure that overpayment letters are prepared in a timely manner in accordance with CWPAY Manual Section 9.5.0.

Recommendation #9

KDMC management ensure someone with no payroll responsibilities traces terminated employees' names to the Payroll Sequence Register for at least three consecutive months after termination.

Current Status: NOT IMPLEMENTED

This control is intended to ensure that employees are not paid after they are terminated. KDMC management indicated that terminated employees' names are not traced to the Payroll Sequence Register for three consecutive months after termination. Although our sample of ten terminated employees did not disclose any unauthorized payments, KDMC management needs to ensure staff implements this procedure.

Recommendation #12

KDMC management ensure that warrants unclaimed for more than 20 days are stamped as "unclaimed" and returned to the Auditor-Controller.

Current Status: NOT IMPLEMENTED

Unclaimed warrants should be returned to the Auditor-Controller to be cancelled to prevent them from being lost or taken. The KDMC Finance Section keeps unclaimed warrants until the employee claims them. KDMC management needs to ensure that warrants unclaimed for more than 20 days are stamped "unclaimed" and returned to the Auditor-Controller.

Recommendation #13

KDMC management ensure a payroll distribution payoff is conducted at least twice a year by employees with no payroll or personnel responsibilities.

Current Status: NOT IMPLEMENTED

County Fiscal Manual (CFM) Section 3.1.11 requires semi-annual payoffs, where warrants and notices of direct deposit are released to employees only after each employee has shown proper identification and has signed for the warrant/notice. Our initial review found that KDMC had not conducted a payoff since 1995. KDMC indicated

that payoffs are still not conducted due to lack of staff. KDMC management needs to ensure staff implements this procedure.

Recommendation #19

KDMC management investigate the ESA report and determine whether overpayments occurred.

Current Status: PARTIALLY IMPLEMENTED

During our initial audit, we noted that KDMC's May 1998 Earned Salary Advance (ESA) report listed 42 employees who may have been overpaid. The Payroll Section was responsible for reviewing this report to determine if any overpayments had occurred. Currently, 37 (88%) of the 42 advances have been investigated. KDMC needs to ensure full compliance with this recommendation.

Recommendation #20

KDMC management ensure the Payroll Section completes the Overtime Authorization Exception Report and secures all overtime authorizations.

Current Status: NOT IMPLEMENTED

CFM 3.1.8 states that the Overtime Authorization Exception Report should be reviewed each pay period to ensure that overtime is accurate and appropriately approved. The reviewer should sign and date the report and mark it as reviewed. In addition, the Payroll Supervisor should periodically review the report to ensure the exceptions are corrected promptly. The Payroll Supervisor's review should be documented by signing and dating the reports.

We sampled the Overtime Authorization Exception Report for four pay periods and found that 42 (35%) of 120 instances where employees worked overtime did not have an overtime authorization form. KDMC management needs to ensure that the Payroll Section completes the Overtime Authorization Exception Report and obtains all overtime authorizations.

Recommendation #22

KDMC management ensure overtime is pre-approved or approved within 24 hours in cases of emergency and proper authorization procedures are followed.

Current Status: NOT IMPLEMENTED

KDMC's overtime guidelines require that all overtime be pre-approved by the Department head or designee. KDMC delegates pre-approval of overtime to lower level management. If overtime is not pre-approved, it should be approved within 24 hours.

To determine if KDMC was properly approving overtime, we reviewed 120 overtime days worked. We found that 42 (35%) days were not supported by authorization forms. In addition, for 52 (43%) overtime days, the supervisors did not date the authorization forms. KDMC management still needs to ensure that overtime is pre-approved or approved within 24 hours. In addition, KDMC should ensure that overtime authorization forms are completed properly.

Recommendation #24

KDMC management ensure bonuses are processed within the Auditor-Controller deadlines.

Current Status: PARTIALLY IMPLEMENTED

To ensure accurate payments to employees, departments must comply with Auditor-Controller deadlines for inputting personnel and payroll transactions into CWTAPPS. Failure to meet these deadlines could result in employees being paid incorrectly. When bonus transactions are not entered timely, CWTAPPS' automatic retroactive processing features are triggered, requiring additional adjustment transactions.

Our initial report revealed that four of 15 bonuses were processed five months late. To address this issue, KDMC sent an e-mail directing Nursing Services to be timelier in processing bonus requests. However, KDMC did not send the e-mail to the facility's 59 other pay locations. To determine whether bonus transactions are processed timely, we sampled ten bonuses. Eight bonuses were entered in CWTAPPS an average of 36 days late. Although KDMC has made improvements, KDMC management still needs to ensure bonuses are processed within the Auditor-Controller deadlines.

Recommendation #25

KDMC management conduct an annual review to ensure employees receiving bonuses are eligible.

Current Status: NOT IMPLEMENTED

Departmental staff stated that KDMC still does not conduct annual reviews to determine if employees receiving bonuses are eligible. Although our sample of ten employees did not reveal any employees receiving inappropriate bonuses, KDMC management needs to ensure that bonuses are reviewed annually to ensure employees are still eligible.

Recommendation #26

KDMC management ensure payroll clerks verify employees have IA earnings during the entire compensability period.

Current Status: NOT IMPLEMENTED

KDMC management indicated that payroll clerks verify the coding of employees' industrial accident (IA) earnings. However, we reviewed ten employees and found four (40%) were not coded properly. This resulted in a total net overpayment of \$626. In addition, there was no indication that payroll clerks attempted to verify that these employees were properly coded.

Due to the high percentage of errors, KDMC management still needs to ensure that payroll clerks verify employees have IA earnings during the entire compensability period.

Recommendation #31

KDMC management ensure the Payroll Manager and/or Supervisor review the required CWTAPPS reports each pay period and make appropriate corrections.

Current Status: NOT IMPLEMENTED

The CFM requires departments to investigate exceptions on several payroll exception reports and immediately process any necessary adjustments. These reviews help ensure accurate payments to employees. The reports should be annotated to document the disposition of each entry, and be signed and dated by the Payroll Section staff performing the investigation. The Payroll Supervisor should also review the reports each pay period to ensure that exceptions are corrected promptly and accurately. The Payroll Supervisor should then sign and date the report to indicate it has been reviewed.

As part of our follow-up review, we tested a total of 33 exceptions appearing on six exception reports to determine whether items on the reports were properly corrected. The 33 exceptions were outstanding at least three months.

We found that six (18%) exceptions were not properly adjusted in CWTAPPS, resulting in overpayments of \$116. In addition, 15 (42%) of 36 reports sampled were not signed and dated by the staff performing the review or by the Payroll Supervisor.

Recommendation #32

KDMC management retain CWTAPPS reports at least five years for audit purposes.

Current Status: NOT IMPLEMENTED

KDMC indicated that CWTAPPS reports are retained as long as possible. However, the Department was unable to locate seven (22%) of the 32 reports we requested. The seven reports were less than six months old. KDMC management needs to retain CWTAPPS reports at least five years for audit purposes.

Review of Report

We discussed our report with KDMC management and provided the Department with a listing of overpayments and underpayments so it can investigate and take appropriate actions. The Department's response, attached, indicates that it will fully implement all recommendations by September 30, 2002.

We thank KDMC management and staff for their cooperation and assistance during our audit. If you have any questions, please call me or have your staff contact DeWitt Roberts at (213) 974-0301.

JTM:DR:JS

c: David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Department of Health Services
Thomas Garthwaite, M.D., Director
Sachi Hamai, Inspection & Audit Division
Willie T May, KDMC
Public Information Office
Audit Committee



BOARD OF SUPERVISORS

Gloria Molina
First District

Yvonne Brathwaite Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

FRED LEAF, Acting Director

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

January 28, 2002

TO: J. Tyler McCauley
Auditor-Controller

FROM: Fred Leaf
Acting Director of Health Services

SUBJECT: **KING-DREW MEDICAL CENTER CWTAPPS FOLLOW-UP REVIEW**

This is in response to the Auditor-Controller's report related to their follow up review of the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS) at King-Drew Medical Center (KDMC). The follow up review was designed to determine KDMC's progress in implementing recommendations issued as a result of an initial review in July 1999. Of 27 recommendations issued, twelve recommendations were found to be partially implemented or not implemented. As a result, the following actions will be taken to bring KDMC into full compliance with the pending recommendations.

Recommendation #6:

KDMC management ensure overpayment letters are prepared in a timely manner.

Current Status: NOT IMPLEMENTED

Corrective Action

All outstanding arrears deductions as of November 2001 listing have been researched and appropriate actions taken.

Target Date of Implementation: November 2001

Recommendation #9:

KDMC management ensure someone with no payroll responsibilities traces terminated employees' names to the Payroll Sequence register for at least three consecutive months after termination.

Current Status: NOT IMPLEMENTED

Corrective Action

The Division of Finance has established an Audit Compliance Section for such verification.

Target Date of Implementation: January 2, 2002

Recommendation #12:

KDMC management ensure that warrants unclaimed for more than 20 days are stamped as “unclaimed” and returned to the Auditor-Controller.

Current Status: NOT IMPLEMENTED

Corrective Action

The Division of Finance has established an Audit Compliance Section to research all unclaimed warrants and direct deposits.

Target Date of Implementation: January 2, 2002

Recommendation #13:

KDMC management ensure a payroll distribution payoff is conducted at least twice a year by employees with no payroll or personnel responsibilities.

Current Status: NOT IMPLEMENTED

Corrective Action:

The Division of Finance has established an Audit Compliance Section to conduct internal audits of payroll sequence register(s) as needed.

Target Date of Implementation: June 30, 2002 (end of the fiscal year)

Recommendation #19:

KDMC management investigate the ESA report and determine whether overpayments occurred.

Current Status: PARTIALLY IMPLEMENTED

Corrective Action

The requested recommendation is redundant in that the ESA report is the same as the Outstanding Arrears Deduction Listing report. Please refer to Agency’s response to Recommendation #6 in that all outstanding arrears deductions as of November 2001 listing have been researched and appropriate action taken.

Target Date of Implementation: November 2001

Recommendation #20:

KDMC management ensure the Payroll Section completes the Overtime Authorization Exception Report and secures all overtime authorizations.

Current Status: NOT IMPLEMENTED

Corrective Action

Hospital Administration will re-issue the Overtime Policy (Policy and Procedure No. 02-117) to all Managers and remind each of the requirements for working overtime whether it is paid or accrued.

Target Date of Implementation: February 1, 2002

Recommendation #22:

KDMC management ensure overtime is pre-approved or approved within 24 hours in cases of emergency and proper authorization procedures are followed.

Current Status: NOT IMPLEMENTED

Corrective Action

Hospital Administration will re-issue the Overtime Policy (Policy and Procedure No. 02-117) to all Managers and remind each of the requirements for working overtime whether it is paid or accrued.

Target Date of Implementation:

Recommendation #24: February 1, 2002

KDMC management ensure bonuses are processed within the Auditor-Controller deadlines.

Current Status: PARTIALLY IMPLEMENTED

Corrective Action

The Department has reissued to the executive staff, department heads, and all managers a Management Information Bulletin (MIB) relative to timely submission of documents to request bonuses in August 2001.

Target Date of Implementation: August 2001

Recommendation #25:

KDMC management conduct an annual review to ensure employees receiving bonuses are eligible.

Current Status: NOT IMPLEMENTED

Corrective Action

Verification of employees' eligibility for bonuses are completed before bonuses are entered into CWTAPPS; however, in October 2001, Human Resources conducted an additional review of employees' bonus eligibility.

Target Date of Implementation: September 30, 2002

Recommendation #26:

KDMC management ensure payroll clerks verify employees have IA earnings during the entire compensability period.

Current Status: NOT IMPLEMENTED

Corrective Action

All industrial injury earnings that were paid during an incorrect compensability period and resulted in overpayments were reviewed and appropriate action taken.

In addition to the above, the department has assigned a staff person whose essential function would be to receive all notice of benefits, verify compensable period(s) against original time card(s), and enter appropriate information into the County Wide Timekeeping Personnel and Payroll System (CWTAPPS)/ Employee Industrial Accident (EMIA) screen.

Target Date of Implementation: January 2, 2002

Recommendation #31:

KDMC management ensure the Payroll Manager and/or Supervisor review the required CWTAPPS reports each pay period and make appropriate corrections.

Current Status: NOT IMPLEMENTED

Corrective action

All review of CWTAPPS reports and appropriate corrections are currently performed by the Payroll Manager. As of January 2, 2002, a staff person is also assigned to assist the Payroll Manager in reviewing and making appropriate corrections to all reports.

Target Date of Implementation: January 2, 2002

Recommendation #32:

KDMC management retain CWTAPPS reports at least five years for audit purposes.

Current Status: NOT IMPLEMENTED

Corrective Action

At present, all CWTAPPS reports are retained the mandatory five year period. Due to shortage of space, however, Human Resources is exploring with Finance Division of the possibility of reducing all mandatory reports to microfiche.

Target Date of Implementation: January 2, 2002

If you have any questions or require additional information, please contact Sachi Hamai, Chief, Inspection and Audit Division, at (213) 240-7901.

FL:SH:g
Attachment